Residue for Distribution

Total pool funds available for distribution after the reimbursement of NECA administrative costs, Average Schedule net balance, Expenses and Other Taxes and Federal Income Tax *(FIT)*.

Residue Ratio

Data month's total pool residue for distribution divided by the total pool average net investment. This ratio is the return on investment for the total pool.

Retroactive Adjustment *(RA)*

The difference between previously reported data and revised actual data. An RA may be reported only for the fourth through the twenty-fourth data month. Transactions for the most recent three prior months will be identified by the settlement system as data month adjustments.

Settlement

The term settlement is the amount of pooled access revenue which each exchange carrier is to receive for providing interstate access service to interexchange carriers and other users. The exchange carrier's settlement includes such items as expenses and other taxes, return on investment and FIT allowance as appropriate.

Settlement Rate

The settlement rate is calculated at the authorized rate of return, using estimates of the EC's historical cost and demand. At the end of the first year of the two-year settlement period, NECA will true-up the settlement rate, and calculate a cost study cash flow adjustment using actual costs from finalized cost studies and the latest view of demand.

Settlement Rate Adjustment

The settlement rate is calculated at the authorized rate of return, using estimates of the EC's historical costs, annual net investment and demand.

At the end of the first year of the two-year settlement period NECA will true-up the settlement rate using actual costs from finalized cost studies, and will calculate a settlement rate adjustment. This adjustment is calculated by taking the difference between the original settlement rate and the trued-up rate, multiplied by the demand for the year. The resulting Settlement Rate Adjustment will then be distributed prospectively, in 12 monthly installments, as part of the current month cash flow. The net of all incentive company settlement rate adjustments will be incorporated into the revenue requirement of NECA's rate calculation for the next tariff period.

New Settlement Rate

The new settlement rate will be calculated for the next period at the authorized rate of return, using estimates of the EC's historical cost, revenue requirements and demand.

Spread Adjustment Option *(SPR)*

A spread adjustment may be used to report adjustments for 2 to 12 consecutive prior data months in one transaction. This is a system enhancement to ease repetitive cost study adjustments and interim reporting.

Study Area

A geographical area for which settlements are computed. Generally, a study area is a company's operations within a state.

Total Net Balance

The total net balance combines the current month's net balance with PPNAs, cost study cash flow adjustment, profit sharing adjustment and Universal Service and Lifeline Assistance amounts. This determines the exchange carrier cash flow for the month. A "positive" total net balance reflects money NECA will pay to the exchange carrier. A "negative" total net balance reflects money the exchange carrier will pay to NECA.

Tariff Rate Adjustment Factor

The Tariff Rate Adjustment Factor helps ensure that total Special Access settlements paid to Incentive Companies remain at the correct level when Special Access tariff rates change within a settlement period. The Tariff Rate Adjustment Factor is multiplied to the product of Special Access Earned Revenues and the Retention Ratio factor on the EC3090. See also Special Access Settlement.

Traffic Sensitive Special Access *(SP)* Earned Revenue

Amount charged for all traffic sensitive interstate special access rate elements, as referenced in Sections 5, 7 and 10 through 13 of the NECA Access Service Tariff FCC No. 5.

TS Local Switch *(SW)* Earned Revenue

Amount charged for all traffic sensitive interstate switched access rate elements, as referenced in Sections 5, 6, 9 and 11 through 13 of the NECA Access Service Tariff FCC No. 5.

Universal Service Fund *(USF)*

The Universal Service Fund reimburses exchange carriers with higher than average local loop costs. The reimbursement amount is developed in conformance with Part 36 Subpart F of the FCC's rules.

SECTION 9

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Index **Page**

INCENTIVE COMPANY INPUT FORM
SMALL COMPANY: COST OPTION

ENTERED: MMM,YYYY
APPLIES TO: MMM,YYYY
DATA TYPE: ______
STATUS: ______

REG: ______ SUBSET: ___
CC: ______ ______
CO: ______ ______
SA: ______ ______
CSLT: ______ ______

---- **COMMON LINE** ----	**AMOUNT**
1. Access Minutes	______
2. Access Lines in Service	______
3. CCL Premium Earned Revenue	______
4. CCL Non-Premium Earned Revenue	______
5. CCL Earned Rev. Sp. Acc. Surch.	______
6. CCL Net Realized Uncollectibles	______
7. CCL Net Earned Revenue	______
8. EU Earned Revenue	______
9. EU Net Realized Uncollectibles	______
10. EU Net Earned Revenue	______
11. CL Other	______
---- **TRAFFIC SENSITIVE** ----	
12. SW Access Minutes	______
13. SW Earned Revenue	______
14. SW Net Realized Uncollectibles	______
15. SW Net Earned Revenue	______
16. SP Earned Revenue	______
17. SP Net Realized Uncollectibles	______
18. SP Net Earned Revenue	______
19. TS Other	______
---- **LIFELINE ASSISTANCE** ----	
20. Lifeline Connection	______
21. End User SLC Waiver	______

Data Comments:

______

______

______

PREPARED BY: ______ DATE: MM/DD/YY TEL: (___) ___-____
APPROVED BY: ______ DATE: MM/DD/YY TEL: (___) ___-____

INCENTIVE SMALL COMPANY: COST OPTION
SETTLEMENT SUMMARY

COMPUTED: MMM,YYYY
APPLIES TO: MMM,YYYY

REG:______ SUBSET:____
CC: ______ ________
CO: ______ ________
SA: ______ ________
CSLT: ______ ________

---- **NET BALANCE SUMMARY** ----	**AMOUNT**
1. EU NET BALANCE [31 - 18]	________
2. CCL NET BALANCE+SUPPORT [32+11+16-17]	________
3. TS NET BALANCE [49-(33 + 34)]	________
4. EU PRIOR PERIOD NET ADJ.	________
5. CCL PRIOR PERIOD NET ADJ.	________
6. CL SETTLEMENT RATE ADJUSTMENT	________
7. TS PRIOR PERIOD NET ADJ.	________
8. TS SETT RATE & RET. RATIO ADJ.	________
9. USF & LA PRIOR PERIOD NET ADJ.	________
10. **TOTAL NET BALANCE (1 THRU 9)** If Positive, NECA Pays EC If Negative, EC Pays NECA	________

---- **SUPPORT DATA** ----

11. LONG TERM SUPPORT	________
12. RESERVED	________
13. USF	________
14. LIFELINE CONNECTION [1070,20]	________
15. EU SLC WAIVER [1070,21]	________
16. **TOTAL USF + LA** [13+14+15]	________

---- **COMMON LINE** ----

17. CCL NET EARNED REVENUE [1070,7]	________
18. EU NET EARNED REVENUE [1070,10]+15	________
19. CL OTHER [1070,11]	________
20. CCL ACCESS MINUTES [1070,1]	________
21. CCL SETTLEMENT RATE PER MOU	________
22. CCL SCHEDULE [20 x 21]	________
23. CL BASIC SCHEDULE [18+19+22]	________
24. CL EXPENSE & TAXES FACTOR	________
25. CL INVESTMENT FACTOR	________
26. REALIZED RESIDUE RATIO	________
27. RETURN FACTOR [24 + (25 x 26)]	________
28. CL REALIZED SCHEDULE [23 x 27]	________
29. RESERVED	________
30. EU SETTLEMENT [18]	________
31. CCL SETTLEMENT [28-30]	________
32. CCL SETTLEMENT RATE ADJUSTMENT	________
33. NET CCL SETTLEMENT [31 + 32]	________

INCENTIVE SMALL COMPANY: COST OPTION
SETTLEMENT SUMMARY

COMPUTED: MMM, YYYY
APPLIES TO: MMM, YYYY

REG:______ SUBSET:___
CC: ______ __________
CO: ______ __________
SA: ______ __________
CSLT:______ __________

---- TRAFFIC SENSITIVE ----

34.	SW NET EARNED REVENUE [1070, 15]	______
35.	SP NET EARNED REVENUE [1070, 18]	______
36.	RESERVED	______
37.	TS OTHER [1070, 19]	______
38.	TS SWITCHED ACCESS MINUTES [1070, 12]	______
39.	TS SW SETTLEMENT RATE PER MOU	______
40.	TS SWITCHED BASIC SCHEDULE [38 x 39]	______
41.	TS SPECIAL RETENTION RATIO	______
42.	TARIFF RATE ADJUSTMENT FACTOR	______
43.	TS SP BASIC SCHED [1070,16 x (41X42)]	______
44.	TOTAL TS BASIC SCHEDULE [37 + 40 + 43]	______
45.	TS EXPENSE & TAXES FACTOR	______
46.	TS INVESTMENT FACTOR	______
47.	REALIZED RESIDUE RATIO	______
48.	RETURN FACTOR [45 + (46 x 47)]	______
49.	TS REALIZED BASIC SCHEDULE [44 x 48]	______
50.	TS SETTLEMENT [49]	______
51.	TS SETTLEMENT RATE ADJUSTMENT	______
52.	NET TS SETTLEMENT (50 + 51)	______

NATIONAL EXCHANGE CARRIER ASSOCIATION INC

Small Company Incentive Plan Average Schedule Option

Pool Administration Procedures

Working Draft - May 12, 1995

CONTENTS

Page

Introduction

BACKGROUND

The FCC's movement towards incentive regulation began in 1987, with the re-examination of the Rate of Return Regulation. The Commission adopted a price cap plan for AT&T in 1989. This plan separated services into three baskets with individual price ceilings to prevent monopoly pricing. It provided incentives for companies to achieve excess profits through the achievement of productivity increases and cost containment. Additionally, a consumer dividend was included in the price ceiling adjustment formula.

In 1990 the Commission implemented price cap regulation for the eight largest exchange carriers representing approximately 94% of access lines. Service baskets resembling AT&T's were created and a profit sharing mechanism was added. If EC profits rise above or fall below defined thresholds, customers share in the gains and losses. The upper and lower limits were set to ensure a certain level of protection from the risks inherent in a fluctuating market for the exchange carrier as well as their customers.

On May 13, 1993, the FCC adopted the Optional Incentive Regulation (OIR) Plan. This plan integrated both rate of return and price cap incentive regulations. Its intent was to separate prices from costs for two-year intervals. Incentive Plan Participants have a total commitment period of four years. The rates applicable to the two-year tariff period equal historic cost based rates, allowing companies to increase their profits by lowering their costs and/or increasing demand. Profit thresholds were also added.

Recognizing that this single plan did not adequately address the special needs of the smaller exchange carriers, the FCC also modified its "Section 61.39" small company tariff plan. The plan was tailored for Subset III telephone companies with fewer than 50,000 lines who were outside NECA's pools. The plan was made available for Cost and Average Schedule study areas, and does not include profit sharing or routine earnings monitoring. The commitment period is two years.

NECA has developed incentive settlement options using the plans adopted by the FCC as a guide. The NECA plans are the Customer Dividend Incentive Settlement Option (similar to the FCC's OIR plan) and the Small Company Incentive Plan (similar to the 61.39 plan).

The Pool Administration Average Schedule Procedures contain NECA's administration of the common line and traffic sensitive pools, a general overview of pooling and the settlement cycle, and line reporting procedures for the AS1000-I. Also included are detailed reporting instructions for traffic sensitive units. These procedures also apply to the Average Schedule Incentive Settlement Option, except where specifically noted.

The following procedures contain specific reporting and procedural guidelines associated with NECA's administration of the Small Company Incentive Plan: Average Schedule Option.

INTRODUCTION

In 1983, the Federal Communications Commission established the National Exchange Carrier Association *(NECA)* to develop interstate access tariffs, administer access revenue pools and distribute monthly settlements for more than 1,000 participating companies. NECA assists local telephone companies in recovering the cost of providing access to their local telephone networks. NECA also acts as an industry agent for universal service. Although all local telephone companies are members of NECA, not all participate in NECA's tariffs or revenue pools.

Average Schedule companies receive compensation for the costs of providing interstate access under a set of formulas filed by NECA and approved by the FCC. These formulas are developed using cost and demand information from a statistical sample of Cost and Average Schedule companies. Under the schedules, Average Schedule companies continue to share in each pool's realized rate of return. Formulas are incorporated that adjust settlements to reflect the difference between the achieved residue ratio and the authorized rate of return.

In 1984, NECA was given the responsibility to administer the Average Schedules. The Average Schedules, updated annually, reduce the cost of service by eliminating the burden and expense of cost studies and provide ECs an incentive to be cost efficient. They provide ECs with a fair and equitable interstate settlement by simulating the settlements of a "look-alike" Cost company. The main goal of the Average Schedules is to strike a balance between the precision of targeting settlements with administrative ease of use. Each year, NECA files modifications to the Average Schedule with the FCC on or before the last day of December with a proposed effective date of July 1st of the following year.

Companies who participate in the Small Company Average Schedule Option receive pool settlements based on the **most recent average schedule formula** filed by NECA and approved by the FCC. ECs receive their monthly settlements based on the most recent formula which became effective in the previous tariff period. ECs are required to remain in the incentive plan for a two year term, during which the Average Schedule formulas remain frozen. ECs may elect to participate in the Incentive Options every year, beginning in December of the current year for participation effective July of the following year.

The following procedures contain specific reporting and procedural guidelines for companies who participate in NECA's Small Company Plan: Average Schedule Option and report their actual revenue and demand units to NECA.

For users who are unfamiliar with pooling, a general overview of the NECA pools and settlement system, a review of the Revenue and Cost Analysis function and a glossary of commonly used terms can be found in the Average Schedule Procedures.

AVERAGE SCHEDULE INCENTIVE SETTLEMENT OPTION

Average Schedule companies who wish to participate in NECA's plan, do so at the study area level. A company participating in this plan is an exchange carrier with fewer than 50,000 access lines for which pool settlements are based on the most recent average schedule formula filed by NECA and approved by the FCC. A company charges NECA's uniform tariff rates to customers, but receives compensation for the costs of providing interstate access under the most recent FCC approved average schedule formulas.

The Average Schedule CCL formulas are adjusted for Common Line growth and remain frozen for a two year term.

Carrier Common Line
Formula = [(Common Line Settlement - End User Revenue) ÷ (Minutes of Use (1 + G))]

Note: Growth is calculated using the Carrier Common Line Minutes of use during the most recent 12-month period over the Carrier Common Line minutes of use in the preceding 12-month period.

Illustrated below are examples of applicable tariff periods and effective average schedule formulas.

Average Schedule Company

Tariff Periods	7/94-6/95	7/95-6/96	7/96-6/97	7/97-6/98	7/98-6/99
Avg Sched Formula Applicable	**Effective Jul. 1994*	Effective Jul. 1995	**Effective Jul. 1996*	Effective Jul. 97	Effective Jul. 98

Average Schedule Incentive Company

Incentive Period		Jul 1995 - Jun 1997	Jul 1997 - Jun 1999
Avg Sched Formula Applicable		**Effective July 1994*	**Effective July 1996*

An Exchange Carriers may elect to participate in the TS pool only, or in both the CL and TS pools. ECs are required to remain in the incentive plan for a two year term. An Average Schedule Company participating in the Incentive Option retains its status as an Average Schedule company and may return to traditional Average Schedule settlements at the end of the two year commitment period.

SECTION 1

Pooling Overview

This section discusses pooling in general terms and provides an overview of the pools and funds administered by NECA.

Introduction

Pooling Overview

Common Line Pool

- Long Term Support

Traffic Sensitive Pool

- Switched Access
- Special Access

Effective Average Schedule Formulas

Universal Service

- Universal Service Fund
- Lifeline Assistance Program

Exhibits

- Settlement System Overview

1.0

Introduction

In 1983, the Federal Communications Commission established the National Exchange Carrier Association *(NECA)* to develop interstate access tariffs, administer access revenue pools and distribute monthly settlements for more than 1,000 participating companies. NECA assists local telephone companies in recovering the cost of providing access to their local telephone networks. NECA also acts as an industry agent for universal service. Although all local telephone companies are members of NECA, not all participate in NECA's tariffs or revenue pools.

Average Schedule companies receive compensation for the costs of providing interstate access under a set of formulas filed by NECA and approved by the FCC. These formulas are developed using cost and demand information from a statistical sample of Cost and Average Schedule companies. Under the schedules, Average Schedule companies continue to share in each pool's realized rate of return. Formulas are incorporated that adjust settlements to reflect the difference between the achieved residue ratio and the authorized rate of return.

In 1984, NECA was given the responsibility to administer the Average Schedules. The Average Schedules, updated annually, reduce the cost of service by eliminating the burden and expense of cost studies and provide ECs an incentive to be cost efficient. They provide ECs with a fair and equitable interstate settlement by simulating the settlements of a "look-alike" Cost company. The main goal of the Average Schedules is to strike a balance between the precision of targeting settlements with administrative ease of use. Each year, NECA files modifications to the Average Schedule with the FCC on or before the last day of December with a proposed effective date of July 1st of the following year.

Average Schedule companies who wish to participate in NECA's plan, do so at the study area level. A Small Company Incentive Plan participant is an Average Schedule Company with fewer than 50,000 lines for which pool settlements are based on the most recent average schedule formula filed by NECA and approved by the FCC.

An exchange carrier may elect to participate in the Traffic Sensitive (TS) pool only, or in both the Common Line (CL) and TS pools. ECs are required to remain in the incentive plan for a two year term. ECs may elect to participate in the Incentive Options in December of the current year for participation effective July of the following year. Additionally, EC's withdrawing from the Incentive Plan may not re-elect this Incentive Option for two years.

For users who are unfamiliar with pooling, this binder also contains a general overview of the NECA pools and settlement system and a glossary of commonly used terms.

1.1

Pooling Overview

Local telephone companies *(referred to from here forward as exchange carriers or ECs)* that participate in the NECA tariff charge common rates. These rates are developed by NECA using member company data. They are designed to recover the costs of providing interstate access, while providing a reasonable return on the exchange carriers' investment. Each month participating exchange carriers report their interstate access revenues. The revenues are pooled. From this access revenue pool, Small Company Incentive Average Schedule exchange carriers receive a settlement, based on the most recent average schedule formula filed by NECA and approved by the FCC.

Exchange carriers who participate in the NECA pools have signed a Revenue Distribution Agreement with NECA that sets forth the terms and conditions for participation in interstate access service revenue pooling. The Agreement also specifies the existence of an "open window" which allows exchange carriers to update or correct revenue and demand data for up to 24 months after the data was initially reported. The pooling process and all information submitted by pool participants is subject to examination by NECA to the extent necessary to verify the accuracy and reasonableness of all submitted items. This includes revenue and demand items underlying the compensation amounts. To assure pool integrity, pool participants must maintain backup data sufficient to verify data accuracy. In addition, exchange carriers who complete a merger or acquisition must notify NECA *(for additional information see Section 3)*.

To accomplish the equitable pooling and distribution of revenues, NECA operates two pools: common line and traffic sensitive. The following diagram illustrates the local facilities for which companies report data to these pools.

Diagram

1.2

The Common Line Pool

A "common line" is the portion of the exchange carriers facilities that extends from the customer's *(referred to from here forward as end user)* premises to the exchange carrier's end office. The common line pool recovers the interstate portion of the costs of maintaining those facilities. The types of revenues reported to this pool are subscriber line charges and carrier common line charges.

Subscriber line charges are revenues paid by business and residential end users to cover a portion of the interstate costs of providing the common line. Carrier common line charges are paid by long distance *(referred to from here forward as interexchange)* carriers to exchange carriers for their use of local facilities to connect long distance calls and cover the remaining portion of interstate common line costs.

1.2.1

Long Term Support

When NECA began operating the pools in May 1984, participation in the common line pool was mandatory for all exchange carriers. In April 1989, however, the FCC permitted voluntary membership in the common line pool. To maintain the NECA carrier common line rate at the nationwide average, another revenue stream was introduced to the common line pool: Long Term Support.

Long Term Support obligation is funded by exchange carrier who file their own Carrier Common Line tariff. The percentage of the annual Long Term Support requirement paid by each of these companies shall equal the number of its common lines divided by the total number of common lines of all telephone companies paying Long Term Support.

1.3

The Traffic Sensitive Pool

The term "traffic sensitive" refers to the portion of the exchange carriers facilities that include the end office and extends from the end office to the connection with the interexchange carrier. The types of revenue and expenses reported to this pool are switched access and special access.

Switched access charges recover the cost of the switching systems in the end office that carry interstate traffic. They also include the trunks that extend from the exchange carrier's end office to the interexchange carrier point of termination.

Special access charges recover the cost of exchange carrier facilities that provide interstate access without using end office switches. An example of this type of facility is dedicated lines.

1.4
Effective Average Schedule Formulas

Illustrated below are examples of applicable tariff periods and effective average schedule formulas.

Average Schedule Company

Tariff Periods	7/94-6/95	7/95-6/96	7/96-6/97	7/97-6/98	7/98-6/99
Avg. Sched. Formula Applicable	**Effective Jul. 1994*	Effective Jul. 1995	*Effective Jul. 1996*	Effective Jul. 97	Effective Jul. 98

Average Schedule Incentive Company

Incentive Period		Jul 1995 - Jun 1997	Jul 1997 - Jun 1999
Avg. Sched. Formula Applicable		**Effective July 1994*	** Effective July 1996*

The Average Schedule formulas are adjusted for Common Line growth. Growth is calculated using the Carrier Common Line Minutes of use during the most recent 12-month period over the Carrier Common Line minutes of use in the preceding 12-month period.

Settlement rates are trued-up at the end of the 1st year of the 2-Year incentive period.
(i.e., settlement rates are trued-up on June 1996, based on trued-up demand levels for July 1995 through June 1996). (See Section 2.4.5)

1.5

Universal Service

In addition to operating the access pools and administering the Long Term Support, NECA also administers the following universal service programs, established by the Federal Communications Commission.

1.5.1

Universal Service Fund *(USF)*

For some exchange carriers, particularly those in sparsely populated or geographically remote areas, the cost of providing service is well above the national average. To assist exchange carriers in providing affordable local telephone service, NECA administers the Universal Service Fund *(USF)*.

Companies qualify for USF support based on the costs of their local loops. Exchange carriers with loop costs higher than 115% of the national average receive a payment from the Fund to help offset the cost of providing local service in high cost areas. Each year NECA conducts a data collection from cost companies to determine the national average loop cost and each study area's USF expense adjustment.

1.5.2

Lifeline Assistance *(LA)* Program

In addition to administering USF, which helps companies to maintain reasonably priced telephone service in high cost areas, NECA administers the following Lifeline Assistance programs:

> The <u>FCCs Subscriber Line Charge Waiver program</u> enables exchange carriers to waive or reduce the subscriber line charge for qualified residential subscribers. The interstate amount waived or reduced is reported to the NECA pools.
>
> The <u>FCCs Link-Up America program</u> enables exchange carriers to reduce or defer connection costs for qualified residential subscribers. These amounts are reported to NECA in the same way.

These programs help offset the cost of providing service to low income subscribers. NECA bills qualified interexchange carriers directly for both universal service programs (USF & LA), then flows the funds to qualified exchange carriers.

SECTION 2
The Settlement Cycle

This section contains an overview of the settlement cycle and explains the terminology used in making data entries and calculating pool settlements.

Settlement Intervals

Data Types
- Data Month Estimate *(DME)*
- Data Month Adjustment *(DMA)*
- Retroactive Adjustment *(RA)*
- Maximum Period of Retroactivity

Data Entry
- Data Input
- Edit Checks
- Range Checks

Lock Activities
- Default File
- Reasonableness Reviews
- Overrides

Processing
- Residue Ratio
- Rate of Return Factor
- Net Balance
- Prior Period Net Adjustments
- Settlement Rate Adjustment
- Total Net Balance

Settlement Rate
- New Settlement Rate

System Reporting
- Settlement Statements *(AS3080-0)*
- Post Settlement Analysis
- Cash Flow
- Late Payment Penalties

Exhibits
- Edit Checks
- NECA Settlement Schedule

The NECA Settlement Cycle

2.0

Settlement Intervals

Each month exchange carriers report revenue and demand data as part of the settlement system's four phase cycle: data entry, lock, processing and reporting. This section summarizes the activities associated with each phase and defines the types of data transactions exchange carriers input to the system.

2.1

Data Types

Each month participants in the NECA pools submit estimates of their revenues and demand items. As actual data becomes known, companies adjust their data to reflect their actual revenues and demand. For this reason, the common line and traffic sensitive pools operate with a 24 month "open window" in which the exchange carrier can revisit prior months to adjust data. Depending on whether they are reporting current estimated or trued-up actual data, exchange carriers can make three types of data entry during a current month settlement cycle: data month estimate, data month adjustment or retroactive adjustment.

2.1.1

Data Month Estimate *(DME)*

The data month estimate is the initial data entry an exchange carrier makes to report current month data. In most cases, a DME is an estimate of what the exchange carriers actual data will be for the month. It is used to calculate the current month settlement.

2.1.2

Data Month Adjustment *(DMA)*

The data month adjustment is a change to data entered up to three months after the DME. Companies normally use DMAs to true-up their estimates of revenue and demand items.

2.1.3

Retroactive Adjustment *(RA)*

The retroactive adjustment is used to change data from the fourth through twenty-fourth month after the DME.

2.1.4

Maximum Period of Retroactivity

Companies can input retroactive adjustments for a maximum of 24 prior data months. Reasons for adjustments include:

- discovery of incorrectly reported revenues
- other errors or omissions.

2.2

Data Entry

Data is entered during this phase of the settlement cycle from the third workday of the month to the seventh from last workday of the month. Exchange carriers can use the above types of data transactions to enter current month data, or to correct data residing in the system, for up to 24 prior months. During processing, current month's settlements are calculated, and past months' settlements are recalculated to incorporate data changes.

2.2.1

Data Input

On the third workday of the month, the settlement system is opened for input by exchange carrier submitters *(company staff, designated consultants or NECA Regional personnel)*.

2.2.2

Edit Checks

As data is input, all lines of the transaction are checked to ensure the transaction meets the prescribed standards *(see Exhibit 2.1 for standards)*. If a transaction fails an edit check, further data entry is prohibited until the input error is corrected. Once the transaction passes the edit checks, the data is compared to an expected range.

2.2.3

Range Checks

A range contains the upper and lower limit each line amount is expected to fall within. When an entry transaction passes the range checks, it can be normal-released into the system. If it fails range check, this does not mean the data is incorrect. It means it differs significantly from the model in the settlement system. Entries that fail the range check can be special-released into the system.

Revenue ranges are generally based on an exchange carrier's prior reported data. NECA may contact exchange carriers to discuss frequent range failures and special releases.

2.3

Lock Activities

At five p.m. Eastern time on the seventh from last workday of the month, the system is locked and exchange carriers are unable to make any further data entries.

2.3.1

Default File

If an exchange carrier does not enter data for a current month by lock time, the system looks to the default file which contains alternate DME data. The alternate DME data in the default file is based on a three month rolling average of exchange carrier data.

The default file also contains Lifeline Assistance entry amounts for qualifying exchange carriers.

2.3.2

Reasonableness Reviews

After the system is locked from further data entry, NECA Regional Offices review data to check for significant deviations and potentially questionable data. Reasonableness reviews allow NECA to monitor pool movement and to ensure accurate data.